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UK HOMEOWNERS ARE NOT ON TOP OF THEIR MORTGAGES

Three quarters (74%) of UK mortgage holders don't know how an interest rate rise of one percentage point could affect their monthly outgoings, according to research published today by the Consumer Financial Education Body (CFEB). CFEB is the new independent body responsible for helping consumers understand and manage their finances better.

The research reveals regional discrepancies in consumers' awareness and understanding of their mortgage situation. Overall, home owners in London and the East of England showed the least awareness and knowledge, while those in Yorkshire and The Humber are more savvy.

- Over 2m mortgage holders in London (83%) and the East of England (80%) said they do not know how an interest rate rise of one percentage point could affect their monthly outgoings;
- Meanwhile 619,000 home owners in the East (29%) and North East of England (26%) said they do not know what they would cut back on if their monthly payments increased by £200;
- Furthermore 760,000 mortgage holders in the East (25%) and North West (24%) admitted they do not know what type of mortgage interest rate they pay, ie whether it is a fixed, standard variable, tracker or discounted rate.

CFEB is today launching its first campaign - *Stay on top of your mortgage* – providing homeowners with essential help and advice to be prepared for when interest rates - or their personal circumstances - change.

Tony Hobman, Chief Executive of the Consumer Financial Education Body said:

"Interest rates have been at record lows for some while now. Although there is uncertainty about when this will change, it is clear from our research that many people with mortgages haven't thought about what it would mean for their monthly payments, or where they would find the extra money in their household budget if their mortgage rate was to go up.

"Lack of time means many of us often put off reviewing our finances, but it doesn't have to be time consuming to keep on top of your money matters. Our Moneymadeclear 'mortgage toolkit' – which can take as little as five minutes - makes it easy to see where you stand so you can plan ahead."



CFEB's advice to consumers is to:

- Dig out the 'Keyfacts' paperwork you received from your lender when you took out your mortgage. This shows your interest rate deal and when it ends.
- Use the Moneymadeclear <u>mortgage calculator</u> to work out what a rise in interest rates will mean for your monthly payments.
- Use our impartial 'mortgage toolkit' at: www.moneymadeclear.org.uk/mortgages. There are five, 15 or 30 minute versions to help you give your finances a health check, so you can understand your options and plan ahead.

CFEB's *Stay on top of your mortgage* campaign toolkit includes a new <u>cut-back calculator</u> to show how cutting back on small purchases can quickly add up to substantial savings. The <u>budget planner</u> will show people where their money is going each month, making it easier to see where they could make changes. If their mortgage deal is coming to an end, the impartial <u>mortgage comparison tables</u> will help them to do their research when it is time to shop around.

The Moneymadeclear service is also available over the phone on 0300 500 5000 and through a range of free, printed Moneymadeclear guides including 'Just the facts about mortgages' and 'You can afford your mortgage now, but what if?'

ENDS

Notes to editors:

- 1. National highlights from the CFEB research:
 - Over half (51%) of mortgage holders believe interest rates will change in the next nine months.
 - But one in seven (15%) mortgage holders don't know what type of interest rate they are paying on their mortgage whether it is a fixed, standard variable, tracker or discounted rate.
 - 14 % of mortgage holders (two million people) say they do not know what they would cut back on if their mortgage payments increased by £200 per month.
 - 54% of mortgage holders with a deal have no plans in place to review their mortgage situation, or will leave it to the last minute.
 - Furthermore, 15% of mortgage holders with a deal (around 1.3 million people) do not know when their mortgage deal expires.
- 2. The research was conducted in the UK by the TNS face to face omnibus survey, using CAPI (Computer Assisted Personal Interviewing). A representative sample of 2,262 adults was interviewed in home in approximately 167 locations. The sample was selected using a random location method.
- 3. The regional tables below show countries and regions ranked from least to most knowledgeable about their mortgage situation:



Table 1: Countries and regions ranked from least to most knowledgeable	about ho	w an interest rate
rise of one percentage point could affect their monthly outgoings.		
% of mortgage holders who said they do not know how an interest rate	%	No of people
rise of one percentage point could affect their monthly outgoings		
London	83%	981,000
East of England	80%	1,088,000
Northern Ireland	79%	253,000
East Midlands	75%	1,007,000
Scotland	74%	957,000
North West	74%	1,298,000
South West	74%	915,000
South East	72%	1,721,000
Yorkshire and The Humber	72%	995,000
Wales	69%	406,000
North East	67%	566,000
West Midlands	65%	574,000

Table 2: Countries and regions ranked from least to most knowledgeable about what type of				
mortgage interest rate they pay, ie whether it is a fixed, standard variable, tracker or discounted rate				
% of mortgage holders who said they do not know what type of	%	No of people		
mortgage interest rate they pay, ie whether it is a fixed, standard				
variable, tracker or discounted rate.				
East of England	25%	344,000		
North West	24%	416,000		
Northern Ireland	23%	74,000		
West Midlands	21%	188,000		
North East	19%	163,000		
London	16%	194,000		
Scotland	15%	190,000		
Wales	13%	77,000		
South East	12%	295,000		
East Midlands	8%	107,000		
Yorkshire and The Humber	8%	113,000		
South West	4%	53,000		

Table 3: Countries and regions ranked from least to most aware of what they would cut back on if				
their mortgage payments increased by £200 per month.				
% of mortgage holders who say they do not know what they would cut	%	No of people		
back on if their mortgage payments increased by £200 per month.				
East of England	29%	400,000		
North East	26%	219,000		
West Midlands	22%	195,000		
North West	17%	299,000		
London	12%	144,000		
South East	12%	289,000		
East Midlands	10%	135,000		
South West	10%	126,000		
Yorkshire and The Humber	8%	110,000		
Wales	6%	35,000		
Scotland	5%	63,000		
Northern Ireland	0%	0		



- 4. Approximately 14.6m people in the UK have a mortgage, of which 8.6m people are on a mortgage interest rate deal, where they have agreed an interest rate deal with their lender, such as a fixed or tracker rate:
 - 5,599,000 people are on a fixed rate deal
 - 2,643,000 people are on a tracker rate deal
 - 342,000 people are on a discounted rate deal
- 5. If a homeowner has a £150,000 interest-only mortgage and their lender increases the interest rate by just one percentage point, the homeowner's monthly payments would go up by £125 per calendar month. If the interest rate increased by 1.6% their monthly payments would increase by £200 per month.
- 6. CFEB's 'mortgage toolkit' is free to use at: www.moneymadeclear.org.uk/mortgages
- 7. CFEB is an independent body responsible for helping people to understand and manage their finances better. Established in April 2010 by the Financial Services Authority (FSA), CFEB delivers impartial financial information, education and advice to consumers and those who work with consumers in communities and at key life stages. See www.cfebuk.org.uk
- 8. CFEB has worked with the FSA on the Mortgage Market Review and is contributing to its forthcoming Consultation Paper on Responsible Lending. The broad aims of the Mortgage Market Review are a market which is sustainable for all participants; and a flexible market that works better for consumers. It also aims for a market where consumers clearly understand the costs and risks of mortgage borrowing. CFEB's *Stay on top of your mortgage* campaign is one important way to ensure consumers play an active role in the mortgage market by being better informed.
- 9. CFEB's impartial information and advice is available through its Moneymadeclear service at www.moneymadeclear.org.uk and over the phone at 0300 500 5000.

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